

# Merchant Marine Circular

Panama Maritime Authority  
General Directorate of Merchant Marine  
Control and Compliance Department

## MERCHANT MARINE CIRCULAR MMC-388

- To:** Recognized Organizations (RO's), Ship-owners/Operators, Legal Representatives of Panamanian Flagged Vessels, Panamanian Merchant Marine Consulates, SEGUMAR Regional Offices, ASI Inspectors, Port State Control Inspectors, and all other maritime industry stakeholders.
- Subject:** Revised Guidelines on the Implementation of the ISM Code by Administrations
- Reference:** IMO Resolution A.1118(30) of 6 December 2017 adopted through Resolution No.107-OMI-198-DGMM of August 6, 2018.
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### 1. Purpose

- 1.1. This merchant marine circular provides a summary of the principal aspects of the *Revised Guidelines on the Implementation of the ISM Code by Administrations (Resolution A.1118(30))*, as applicable for companies and vessels flying Panama flag, aiming to serve as a brief orientation for all interested parties.

### 2. Scope and Application of the Revised Guidelines (Resolution A.1118(30))

- 2.1. The *Revised Guidelines on the Implementation of the ISM Code by Administrations - Resolution A.1118(30)*, establish basic principles for:
- 2.1.1. verifying that the safety management system of a company responsible for the operation of ships, or the safety management system for the ship or ships controlled by the company, complies with the ISM Code;
- 2.1.2. carrying out the interim, initial, annual and renewal verification(s) of the Document of Compliance (DOC) and the interim, initial, intermediate and renewal verification(s) of the Safety Management Certificate (SMC) and the issuing/endorsement of the corresponding documents; and the scope of the additional verification.

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## 3. Background

- 3.1. The International Safety Management (ISM) Code was adopted by the Organization by resolution A.741(18) and became mandatory by virtue of the entry into force, on 1 July 1998, of SOLAS Chapter IX on Management for the safe operation of ships. The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention.
- 3.2. The ISM Code requires that companies establish safety objectives as described in section 1.2 (Objectives) of the ISM Code and, in addition, that companies develop, implement and maintain a safety management system which includes functional requirements as listed in section 1.4 (Functional requirements for a safety management system (SMS) of the ISM Code.
- 3.3. The application of the ISM Code should support and encourage the development of a safety culture in shipping. Success factors for the development of a culture that promotes safety and environmental protection are, inter alia, commitment, values, beliefs, and clarity of the safety management system.

## 4. Definitions

- 4.1. "Audit" means a systematic and independent examination to determine whether the SMS activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives.
- 4.2. "Auditor" means a person performing verification of compliance with the requirements of the ISM-Code and who fulfils the personal qualification and other pertinent requirements in accordance with the Standards of Competence of *the Revised Guidelines on the Implementation of the ISM Code by Administrations - Resolution A.1118(30)*, and the requirements for training and qualification in accordance with Appendix 1 and Appendix 2 of the RO Code.
- 4.3. "Lead auditor" means an auditor who is authorized to lead a team of two or more auditors.
- 4.4. "Branch Office" means an office that is part of the Company, under its control and covered by the same Safety Management System (SMS).
- 4.5. "Objective evidence" means quantitative or qualitative information, records or statements of fact pertaining to safety or to the existence and implementation
- 4.6. of a safety management system element, which is based on observation, measurement or test and which can be verified.



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- 4.7. "Observation" means a statement of fact made during a safety management audit and substantiated by objective evidence. It may also be a statement made by the auditor referring to the SMS which, if not corrected, may lead to a non-conformity in the future.
- 4.8. "Safety Management Manual" is the documentation used to describe and implement the Safety Management System (SMS).
- 4.9. "Technical deficiency" means a defect in, or failure in the operation of, a part of the ship's structure or its machinery, equipment or fittings.
- 4.10. "Non-conformity" means an observed situation where objective evidence indicates the non-fulfillment of a specified requirement.
- 4.11. "Major non-conformity" means an identifiable deviation that poses a serious threat to the safety of personnel or the ship or a serious risk to the environment that requires immediate corrective action and includes the lack of effective and systematic implementation of a requirement of this Code. Any one of these situations may be considered a major non-conformity.
- 4.12. "International Safety Management (ISM) Code" means the International Management Code for the Safe Operation of Ships and for Pollution Prevention as adopted by the Assembly, as may be amended by the International Maritime Organization.
- 4.13. "Company" means the Owner of the ship or any other organization or person such as the Manager, or the Bareboat Charterer, who has assumed the responsibility for operation of the ship from the Shipowner and who on assuming such responsibility has agreed to take over all the duties and responsibility imposed by the ISM Code.
- 4.14. "Administration" means the Government of the State whose flag the ship is entitled to fly. In our case this means the Republic of Panama.
- 4.15. "Safety Management System" means a structured and documented system enabling Company personnel to implement effectively the Company safety and environmental protection policy.
- 4.16. "Document of Compliance" (DOC) means a document issued to a Company which complies with the requirements of the ISM Code.



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- 4.17. “Safety Management Certificate” (SMC) means a document issued to a ship which signifies that the Company and its shipboard management operate in accordance with the approved safety management system.
- 4.18. Other terms and definitions used in the *Revised Guidelines on the Implementation of the ISM Code by Administrations - Resolution A.1118(30)*, have the same meaning as those given in the Part A – Implementation, paragraph 1.1 of the ISM Code.

## 5. Mandatory application of the ISM Code according to the Revised Guidelines

- 5.1. The appropriate organization of management, ashore and on board, is needed to ensure adequate standards of safety and pollution prevention. A systematic approach to management by those responsible for management of ships is therefore required. The objectives of the mandatory application of the ISM Code are to ensure:
  - 5.1.1. compliance with mandatory rules and regulations related to the safe operation of ships and protection of the environment; and
  - 5.1.2. the effective implementation and enforcement thereof by the Administration.

## 6. Verification and certification responsibilities

- 6.1. Recognized Organizations (RO) duly authorized by the Administration are responsible for verifying compliance with the requirements of the ISM Code and for issuing Documents of Compliance (DOC) to companies and Safety Management Certificates (SMC) to ships.
- 6.2. The *Guidelines for the authorization of organizations acting on behalf of the Administration (resolution A.739(18))* and the *Specifications on the survey and certification functions of recognized organizations acting on behalf of the Administration (resolution A.789(19))*, which have been made mandatory by virtue of SOLAS regulation XI-1/1, and the *IMO Instruments Implementation Code (III Code)*, as adopted by the Organization by resolution A.1070(28), the use of which has been made mandatory by virtue of SOLAS regulation XIII/2, are applicable when the Panama Maritime Authority authorize recognized organizations (RO) to issue Documents of Compliance (DOC) and Safety Management Certificates (SMC) on behalf of our Administration (Refer to MMC-136 for Authorized Recognized Organizations).



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## **7. Verifying compliance with the ISM Code**

- 7.1. To comply with the requirements of the ISM Code, companies should develop, implement and maintain a documented safety management system to ensure that the safety and environmental protection policy of the company is implemented. The company policy should include the objectives defined by the ISM Code.
- 7.2. Recognized Organization (RO) should verify compliance with the requirements of the ISM Code by determining:
- 7.2.1. the conformity of the company's safety management system with the requirements of the ISM Code; and
- 7.2.2. that the safety management system ensures that the objectives defined in paragraph 1.2.3 of the ISM Code are met.

## **8. Ability of the safety management system to meet general safety management objectives**

- 8.1. The ISM Code identifies general safety management objectives in paragraph 1.2.2. The verification should support and encourage companies in achieving these objectives, which provide clear guidance to companies for the development of safety management system elements in compliance with the ISM Code. However, the ability of the safety management system to achieve these objectives cannot be determined beyond whether the safety management system complies with the requirements of the ISM Code. Therefore, the objectives should not form the basis for establishing detailed interpretations to be used for determining conformity or non-conformity with the requirements of the ISM Code.

## **9. Ability of the safety management system to meet specific requirements of safety and pollution prevention**

- 9.1. The main criterion that should govern the development of interpretations needed for assessing compliance with the requirements of the ISM Code should be the ability of the safety management system to meet the specific requirements defined by the ISM Code in terms of specific standards of safety and pollution prevention. The specific standards of safety and protection of the environment are specified in paragraph 1.2.3 of the ISM Code.
- 9.2. All records having the potential to facilitate verification of compliance with the ISM Code should be open to scrutiny during an examination. These may include records from delegated SMS tasks. For this purpose, the Recognized



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Organization (RO) should ensure that the company provides auditors with statutory and classification records relevant to the actions taken by the company to ensure that compliance with mandatory rules and regulations is maintained. In this regard, the records may be examined to substantiate their authenticity and veracity.

## **10. Certification and verification process**

### **10.1. Certification and verification activities**

**10.1.1.** The certification process relevant to a Document of Compliance (DOC) for a company and to a Safety Management Certificate (SMC) for a ship will normally involve the following steps:

1. interim verification;
2. initial verification;
3. annual or intermediate verification;
4. renewal verification; and
5. additional verification.

**10.1.2.** These verifications are carried out, at the request of the company, by recognized organizations duly authorized by the Administration to perform certification functions under the ISM Code. The verifications will include an audit of the safety management system.

### **10.2. Interim verification**

**10.2.1.** Interim certification may be issued under certain conditions, as specified by the ISM Code, and should facilitate the implementation of a safety management system.

**10.2.2.** The company should apply for interim certification to the RO.

**10.2.3.** The process of interim verification for the issuance of Interim Document of Compliance (DOC) undertaken by the RO would require an assessment at the company's offices in accordance with paragraph 14.1 of the ISM Code.

**10.2.4.** On satisfactory completion of the assessment of the shoreside safety management system, arrangements/planning may commence for the assessment of applicable ships in the company's fleet.

**10.2.5.** The process of interim verification of the ship should be undertaken by the RO to ensure that the ship is provided with a safety management system, in accordance with paragraph 14.4 of the ISM Code.



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- 10.2.6.** On satisfactory completion of the interim verification, an Interim Document of Compliance (DOC) will be issued to the company; copies should be made available by the company to each shoreside premises and each applicable ship in the company's fleet. As each ship is assessed and issued with an Interim Safety Management Certificate (SMC), a copy of the certificate should also be forwarded to the company's head office.
- 10.2.7.** Interim verification for the issue of Interim DOC to a Company and Interim SMC for a ship is carried out as described in ISM Code Section 14.1 (for Interim DOC) and Section 14.2 (for Interim SMC), respectively.
- 10.2.8.** Interim DOC should be issued for a period not exceeding twelve (12) months and Interim SMC should be issued for a period not exceeding six (6) months as described in ISM Code Section 14.
- 10.2.9.** The forms of the Interim Document of Compliance (DOC) and the Interim Safety Management Certificate (**SMC**) are described on Appendix to the ISM Code.

## 10.3. Initial verification

- 10.3.1.** The safety management audit for the company and for a ship will involve the same basic steps. The purpose is to verify that a company or a ship complies with the requirements of the ISM Code. The audits include:
- .1** verification of the conformity of the company's safety management system with the requirements of the ISM Code, including objective evidence demonstrating that the company's safety management system has been in operation for at least three months and that the safety management system has been in operation on board at least one ship of each type operated by the company for at least three months; and
  - .2** verification that the safety management system ensures that the objectives defined in paragraph 1.2.3 of the ISM Code are met. This includes verification that the Document of Compliance (DOC) for the company responsible for the operation of the ship is applicable to that particular type of ship, and also includes assessment of the shipboard safety management system to verify that it complies with the requirements of the ISM Code and that it is implemented. Objective evidence demonstrating that the company's safety management system has been functioning effectively for at least



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three months on board the ship and ashore should be available, including records from the internal audit performed by the company.

## 10.3.2. This Administration recommends the use of following steps upon completion of the initial verification of ISM (DOC and SMC)

- .1 Issue of **Short-Term DOC** to a Company and **Short-Term SMC** for a ship after satisfactory completion of the initial verification as described in ISM Code Section 13.
- .2 **Short-Term DOC** and **Short-Term SMC** should be issued for a period not exceeding five (5) months, both certificates are issued by the attending auditor upon satisfactory completion of the initial verification audit of the Company and then after the satisfactory completion of the initial verification audit of the Ship, respectively, this is to permit the operation of the Company and also to permit the ship to trade while the Full-Term Certificate DOC and Full-Term SMC are prepared by an authorized Recognized Organization (RO).
- .3 The forms for the **Short-Term DOC** and **Short-Term SMC** may be modelled on the basis of the information that are described in the first (1<sup>st</sup>) page of the Full Term Document of Compliance (DOC) and in the first (1<sup>st</sup>) page of the Full Term Safety Management Certificate (SMC) established on the Appendix to the ISM Code.

## 10.4. Annual verification of Document of Compliance (DOC)

10.4.1. Annual safety management audits are to be carried out to maintain the validity of the Document of Compliance (DOC) and should include examining and verifying the correctness of the statutory and classification records presented for at least one ship of each type to which the Document of Compliance (DOC) applies. The annual verification will address all the elements of the safety management system and the activities to which the requirements of the ISM Code apply. The purpose of these audits is to verify that the safety management system is functioning effectively and that any modifications made to the safety management system comply with the requirements of the ISM Code, including the endorsement for annual verification on Full Term Document of Compliance (DOC) in accordance with regulation IX/6.1 of SOLAS Convention and paragraph 13.4 of the ISM Code.

10.4.2. Annual verification is to be carried out within three (3) months before or after each anniversary date of the Document of Compliance (DOC).





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- 10.4.3.** Where the company has more than one shoreside premises and/or the company delegates safety management system tasks, the annual assessments should endeavour to ensure that all sites are assessed during the period of validity of the Document of Compliance (DOC).
- 10.4.4.** During the annual verification, the RO should verify whether the company is operating all the ship types stated on the Document of Compliance (DOC). Appropriate action should be taken if the company has stopped operating a particular ship type.
- 10.4.5.** The Document of Compliance (DOC) should be withdrawn when the annual verification is not requested or if there is evidence of major non-conformities with the ISM Code.
- 10.4.6.** All associated Safety Management Certificates (SMC) and/or Interim Safety Management Certificates (SMC) should also be withdrawn if the Document of Compliance (DOC) is withdrawn.

## **10.5. Intermediate verification of Safety Management Certificates (SMC)**

- 10.5.1.** Intermediate safety management audits should be carried out to maintain the validity of the Safety Management Certificate (SMC). The intermediate verification will address all the elements of the safety management system and the activities to which the requirements of the ISM Code apply. The purpose of these audits is to verify that the safety management system is functioning effectively and that any modifications made to the safety management system comply with the requirements of the ISM Code. In certain cases, particularly during the initial period of operation under the safety management system, the RO may find it necessary to increase the frequency of the intermediate verification. Additionally, the nature of non-conformities may also provide a basis for increasing the frequency of intermediate verifications, including the endorsement for intermediate verification on Full Term Safety Management (SMC) in accordance with regulation IX/6.1 of SOLAS Convention and paragraph 13.8 of the ISM Code.
- 10.5.2.** If only one intermediate verification is to be carried out, it should take place between the second and third anniversary date of the issue of the Full-Term Safety Management Certificate (SMC).
- 10.5.3.** The Full-Term Safety Management Certificate (SMC) should be withdrawn when the intermediate verification required in paragraph 13.8 of the ISM Code is not requested or if there is evidence of a major non-conformity with the ISM Code.



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## 10.6. Renewal verification

**10.6.1.** Renewal verifications are to be performed before the validity of the Document of Compliance (DOC) or the Safety Management Certificate (SMC) expires. The renewal verification will address all the elements of the safety management system and the activities to which the requirements of the ISM Code apply. Renewal verification may be carried out within three months before the date of expiry of the Document of Compliance (DOC) or the Safety Management Certificate (SMC), and should be completed before the date of expiry.

### **10.6.2. This Administration recommends the use of following steps upon completion of the renewal verification of ISM (DOC and SMC)**

- .1 Issue of Short-Term DOC to a Company and Short-Term SMC for a ship after satisfactory completion of the renewal verification as described in ISM Code Section 13.
- .2 Short-Term DOC and Short-Term SMC should be issued for a period not exceeding five (5) months, both certificates are issued by the attending auditor upon satisfactory completion of the audit of the Company and then to the Ship, respectively, this to permit the operation of the Company and also to permit the ship to trade while the Full-Term Certificates are prepared by an authorized Recognized Organization (RO).
- .3 The forms of the Short-Term DOC and Short-Term SMC are described on the first (1st) page of the Full-Term Document of Compliance (DOC) and the Full-Term Safety Management Certificate (SMC) on Appendix to the ISM Code.

## 10.7. Additional verification

**10.7.1.** The RO may, where there are clear grounds, require an additional verification to check if the safety management system still functions effectively. Additional verifications may be carried out following situations beyond normal procedures such as port State control detentions, or in the case of reactivation after the interruption of operations due to a period out of service, or in order to verify that effective corrective actions have been taken and/or are being properly implemented.

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- 10.7.2.** Additional verifications may affect the shore-based organization and/or the shipboard management system. The RO should determine the scope and depth of the verification, which may vary from case to case.
- 10.7.3.** The additional verifications should be completed within the time period agreed, taking into account the guidelines developed by IMO.
- 10.7.4.** The RO should follow up on the results of the verification and take appropriate measures, as necessary.
- 10.7.5.** On satisfactory completion of the shipboard assessment, the Full-Term Safety Management Certificate (SMC) should be endorsed for additional verification.

## **10.8. Procedure for safety management audits by the Recognized Organizations**

- 10.8.1.** Recognized Organizations should follow the procedure for safety management audits and all relevant steps for all verifications, even if the scope of the audits for interim and additional verification differs from that of the audits for initial, annual, intermediate and renewal verification.

## **11. Standards on ISM Code certification arrangements**

- 11.1.** Refer to Appendix of the *Revised Guidelines on the Implementation of the ISM Code by Administrations (Resolution A.1118(30))*, for the following information:
- .1 Introduction,
  - .2 standard of management,
  - .3 standards of competence,
  - .4 ISM Code certification scheme management,
  - .5 Basic competence for performing verification,
  - .6 Practical training for performing verification,
  - .7 qualification arrangements,
  - .8 certification procedures and instructions.

**February, 2021 - Adoption of the Revised Guidelines on the Implementation of the ISM Code by Administrations-Resolution A.1118(30).**

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Inquiries concerning the subject of this Merchant Marine Circular or any other request should be forward to:

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